

AMERICAN UNIVERSITY RADIO WAMU 88.5 FM

THE DIANE REHM SHOW

GOVERNOR JON HUNTSMAN, R, UTAH
AND
GOVERNOR JANET NAPOLITANO, D, ARIZONA

THURSDAY, DECEMBER 6, 2007

GUESTS

JON HUNTSMAN
Governor of Utah, Republican

JANET NAPOLITANO
Governor of Arizona, Democrat

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GOVERNOR JON HUNTSMAN, R, UTAH
AND
GOVERNOR JANET NAPOLITANO, D, ARIZONA

10:00 a.m.

MS. REHM: Thanks for joining us. I am Diane Rehm.

Republican Jon Huntsman was elected Governor of Utah in 2004 with 57 percent of the vote. Democrat Janet Napolitano was reelected to a second term as governor by a wide margin in 2006. They do not share party affiliation, but they do share a commitment to deal with issues that have so far not been addressed on the federal level.

They join me now to offer decidedly outside-the-beltway perspectives on a variety of issues, including illegal immigration, healthcare, and resource management, and how their experiences on the state level can and should inform the national debate.

Governor Napolitano is here in the studio. Governor Huntsman joins us by phone from his office in Salt Lake City. We do invite your calls, questions, comments. Join us on the (800) 433-8850; send us your e-mail to drshow@wamu.org.

Governor Napolitano, good morning to you.

GOV. NAPOLITANO: Good morning.

MS. REHM: And good morning to you, Governor Huntsman; thanks for joining us.

GOV. HUNTSMAN: Good morning, Diane, it's an honor.

And Janet, good morning to you as well.

GOV. NAPOLITANO: Good morning, Jon.

MS. REHM: Governor Napolitano, the Bush administration has reached an agreement that would limit rate increases on some mortgages. To what extent have homeowners in your state been hit by the subprime problem?

GOV. NAPOLITANO: The homeowners in Arizona have been hit hard. We had rapid economic growth the last 2 years, a lot of it fueled by housing, and as rapidly as it went up, it is now going down and so -- anxious to see actually what the agreement entails.

It's a little vague from an operational standpoint, but the housing market in Arizona is not a healthy one right now. Every other market is great, commercial real estate and the like, but residential housing has been hit very hard.

MS. REHM: Would you be in support of a freeze on mortgage rights?

GOV. NAPOLITANO: All -- given all the caveats which one must have --

MS. REHM: Yes, of course.

GOV. NAPOLITANO: -- but the concept is a good concept, because what you want to do is ride this housing subprime issue out. You want to keep families who have been unduly prejudiced in their homes -- in the end that's a lot cheaper than having them be homeless and -- from a whole host of perspectives, and then go into a prevention strategy -- how do you prevent this from happening again?

MS. REHM: Janet Napolitano, she is the Democratic Governor of Arizona.

Turning to you, Governor Huntsman, how hard has the mortgage crisis hit your state?

GOV. HUNTSMAN: I think it has hit hard in the sense that there is tremendous uncertainty in the marketplace right now. As Governor Napolitano mentioned, all of the other economic indicators are reasonably healthy in our state and in this region of the United States.

As it relates to home mortgages, we are now leading the nation, our state interestingly enough, in housing price appreciation for several months running now. But there isn't a bubble per se that has been created, because right now even with the increase we're roughly at the national average for housing prices.

So what it has introduced into the marketplace is enormous uncertainty about what rates might likely be going forward. And all of this in the aftermath of extremely low rates; the cost of capital for years has been very, very low, giving rise to home purchases and automobile purchases, so on and so forth.

But I do think, there is an issue around the corner that we're going to have to pay some attention to that could have widespread and longitudinal impact in all of our states, and that's the corporate debt financing. We're just now focused on home mortgages; around the corner could very well be a corporate financing, and how that has been structured in the last of couple of years and likely what the cost of capital will be for some companies going forward, which could very well sound some serious alarm bells.

MS. REHM: What would be your position on a home -- a subprime debt mortgage freeze?

GOV. HUNTSMAN: I would be in favor, again with all of the appropriate caveats of a freeze in place. I think that's one thing that's going to keep the economy with some sense of confidence moving forward.

I also think that needs to be coupled with a broader -- from the Federal Reserve, a rate decrease, and I suspect we're likely to see maybe 50 basis points, in the short-term, decrease in rates.

But you find now with the yield curve, I mean, if you look today at the 30-year Treasury's as compared to what, you know, you get today for a loan it's relatively flat, and perhaps we could be on the doorstep of an inverted yield curve, which we haven't seen in a very long time.

But it's, as I mentioned initially, a period of some uncertainty, and I do believe that the Federal Reserve has got to step up and take some leadership, provide some confidence in terms of where we're going with respect to longer term rates, and I think a freeze would be a very rational and logical policy choice right now.

MS. REHM: Republican Governor Jon Huntsman of Utah. Do join us (800) 433-8850; send us your e-mail to drshow@wamu.org.

Governor Napolitano, I think you want to weigh in on the Fed and its role.

GOV. NAPOLITANO: Right. I do think there needs to be a Federal Reserve role, and I wanted just to comment Governor Huntsman -- the uncertainty, you know, we're in a presidential -- heading into a presidential election year, so the nation's leadership is a little bit uncertain in light of that. And that ripples through in economic behavior, so you see it -- people, they're hunkering down a little bit.

They're not buying new houses. They're not buying new cars, large appliances, those kinds of purchases. They're waiting to see what will happen, and that means leadership and some sense of stability to mitigate uncertainty, right now, would be very helpful.

MS. REHM: What kind of leadership do you think would mitigate uncertainty?

GOV. NAPOLITANO: Well, I think, the Fed stepping up and giving people confidence that we will write out this downturn in the national economy --

MS. REHM: How could it do that?

GOV. NAPOLITANO: Well, by how they address the interest rate, among other things. And then, you know, I hope we get into a little bit about Washington, D.C. --

MS. REHM: Absolutely.

GOV. NAPOLITANO: -- but Washington, D.C. is a little bit problematic right now, because it's so divided on partisan lines, and so speaking for myself, I think, that provides another role that governors are going to need to play in this year to help fill that vacuum.

MS. REHM: And on that very point, Governor Huntsman, there were new doubts yesterday afternoon that the Senate is going to be able to pass its version of the

long-stalled energy bill. In general, in what ways does Washington's action, or inaction, shape your priorities?

GOV. HUNTSMAN: Well, clearly we have some very significant priorities as governors here in the West. It's interesting, Republican or Democrat, we have common interests here, and not surprisingly, we have common solutions.

And I have been very privileged to work with Janet Napolitano on several issues. We might be members of different parties, but our solutions and objectives, I think, are surprisingly in sync.

We have water issues. We have public land issues. We have growth issues, climate change, so much that is related to energy; how we feel our future. If you were to say what is the most prominent issue that all of us are working on here in the West, I think, it would be growth, and all the issues that sort of permutate from growth, including energy.

So if the Federal Government is not about to address the energy conundrum that we face and how we move forward, whether that is, you know, extension of investment tax credits for renewable energy, whether it's an aggressive energy efficiency approach, whether it's clean coal and carbon sequestration, whether it's research and development funding for new approaches, biofuels, whatever it might be, then you're going to see something fill that void.

You know, nature upholds a vacuum and so does politics; and not surprisingly, you're seeing Western governors step up and they're beginning somewhat unilaterally and regionally to address many of these issues group by group.

I think the risk that we run longer term by doing that, while it may bring us solutions earlier than we might otherwise see them, you'll find a patchwork of approaches in the country that are less predictable, particularly for the investment and the business community.

MS. REHM: Governor Napolitano, to what extent are Western states going to be hit harder by climate

change, for example? And dealing with climate change is apparently going to come down to state governors rather than the Federal Government.

GOV. NAPOLITANO: Well, I think -- yeah, I think what we're going to see in the climate change area is impact, for example, on the extent in a forest fire, a wildland fire. We've already seen a little bit of that in the last few years.

The predictions are that those types of mega-fires, fires that in the past would have been 5,000 or 15,000 acres, now being 5,500,000 acres. So -- and that is an effective drought and in the condition of the forests in the West. We look -- those of us who are drawing our water from the Colorado River look very heavily what the snowpack is in the upper states --

MS. REHM: Of course.

GOV. NAPOLITANO: -- Upper Basin States, in terms of the water that we can derive from the Colorado and recognize that that river is oversubscribed and you have -- that's the area of the greatest population growth in the country.

MS. REHM: When you say oversubscribed, what do you mean?

GOV. NAPOLITANO: What I mean is that the allocations were made at a time when there was a lot of water in the Colorado River, and we're now in a period where there is long-term drought anticipated which could be part of ramifications of global warming, climate change, whatever you want to call it.

I call it -- you don't -- you know, you have a drought, and you've got to deal with it. So we've reached an agreement now. We're going to be reaching an agreement with states on the Colorado, but drought, the river, forest health, all aspects of climate change.

MS. REHM: Governor Janet Napolitano, she is the Democratic Governor of Arizona; and Republican Governor Jon Huntsman of Utah. We'll take just a short break. When we come back, we'll talk further; take your questions,

comments (800) 433-8850. Send your e-mail to drshow@wamu.org.

(Intermission)

MS. REHM: And welcome back. We have two guests this morning, Republican Governor Jon Huntsman of Utah. He is on the line with us from his office in Salt Lake City. Governor Janet Napolitano, Democrat, is here in the studio; she is the second-term governor from Arizona. In just a few moments, we're going to open the phones, and take your calls, (800) 433-8850.

Governor Huntsman, last month you, along with Governor Schwarzenegger of California, and Brian Schweitzer, Democrat of Montana, put together an ad calling for action on climate change. Tell us what the objective is there.

GOV. HUNTSMAN: Again, this is a pretty good example of governors rising out of a federally created vacuum. There has been no movement on any kind of federal approach to dealing realistically with greenhouse gas pollution, so we decided that as governors viewing the issues similarly that we would say something about it, particularly, toward the year end as Congress is deliberating some of their final pieces of legislation.

Again, I get back to the reason we feel strongly about it, and again, you can call it whatever you want. It results in serious droughts that would be forecast under future scenarios; the more intense fires that would result from that which we as a region are fighting more of, snowpack, which is a significant part of our economic base with the ski industry.

So it's not only in our interests longer term when you look at the lovely and beautiful lands that are on display here in the West, but it's in our economic interest to move forward with the new technologies, innovations --

MS. REHM: Indeed.

GOV. HUNTSMAN: -- and solutions that are going to power our economy going forward as it relates to energy; so we decided to speak out.

MS. REHM: Governor Napolitano, how much of an influence can regional governors have on what's happening here in Washington?

GOV. NAPOLITANO: Well, we can -- an enormous influence. Let me give you an example, on climate change, the Western states, Utah, Arizona, California, Washington, Oregon, two provinces in the Western part of Canada, and now we've added some states from the northern part of Mexico, have all agreed on what we call the Western Climate Initiative.

These are joint agreements on greenhouse gas emissions. It's a cap and trade market for our region. Our region itself represents, if you add us all altogether, the fifth largest economy in the world, right there. And so we can have enormous influence on the issue. And then almost related to that is the influence on what's happening in Washington, and I see that the House now is moving on their energy bill, the Senate is now moving on a climate change bill.

So maybe from the work of the states, because the Northeastern states now are doing something along those lines, the Upper Midwest is working on something, the National Governors Association is now taking on energy as a national issue, so maybe those will help move the Washington agenda.

MS. REHM: What about nuclear power? Do you see that at work there in Arizona?

GOV. NAPOLITANO: Yes. Well, of course, and Arizona's home to the nation's largest power plant, Palo Verde Nuclear Generating Station; and I think moving forward, nuclear is going to have to be part and parcel of the toolbox, assuming and hoping that we can deal with the waste issues that nuclear power entails. But --

MS. REHM: That's a big assumption.

GOV. NAPOLITANO: That's a big assumption, I understand, but I do think that we need to continue to work on that, because nuclear should be, and very well may be part and parcel of our energy future.

MS. REHM: What about you, Governor Huntsman, and nuclear power?

GOV. HUNTSMAN: We do not have a nuclear facility here, you know, in our state, but it is -- we've long been seen as a region where some of the spent fuel would be buried, which I think is a very, very bad idea, and not many people in the region like that. So I suspect there will be continued talk, even very serious talk, about a shared solution on energy, and I do believe that nuclear will be part of that.

But you have a few, perhaps, rate-limiting features, the overall cost of such a plant, you know, \$2 billion, is that something that is realistic, given some of the other emerging options for clean energy.

What about internationally the proliferation issues that increasingly are very, very real concerns for the United States? And then, of course, the whole spent-fuel issue which must be worked out satisfactorily over time.

MS. REHM: Let's talk for a moment about immigration. An effort to reach a compromise in Washington on the immigration policy has failed. Tell us about the challenge you face in Arizona.

GOV. NAPOLITANO: Well, Arizona probably has faced the greatest challenge over the last 5 years on immigration, because we have been the funnel of over half of the border patrol, rest in the entire country occur at the Arizona border, and have been until recently running 5,000 or 6,000 a day.

So you're talking about a huge funnel of illegal immigration, frustration all the way around by Arizona voters; lots and lots of difficulty there. An example again, where Western governors 18 months ago began negotiating what we thought would be a good immigration policy for the United States, dealing with all of the elements that need to go into it -- border security, interior enforcement, also visas, visa limits, H1B, all of the issues about the labor factors of immigration.

And we all agreed, brought that back to Washington, D.C. and of course we know what happened.

MS. REHM: But what are you doing about immigrants who are already in the state?

GOV. NAPOLITANO: Well, what Arizona is about to do, and I signed into law last July, it takes affect in January, is an employer sanctions law that would be very stiff, and it says basically if you're an employer, and you have found to twice have intentionally or knowingly --

MS. REHM: Twice.

GOV. NAPOLITANO: Twice intentionally or knowingly hired someone in the country illegally, you lose your license to do business.

MS. REHM: What does happen to the immigrant?

GOV. NAPOLITANO: Well, they get turned over to ICE for deportation.

MS. REHM: And Governor Huntsman, how similar are the challenges you face in Utah?

GOV. HUNTSMAN: Well, obviously we're not a border state, although we are what I would consider to be a gateway state. So we have many of the concomitant challenges that Janet just described, and I think it has become alarming to a lot of people that Washington has failed to act on perhaps one of the most important issues of our time.

GOV. NAPOLITANO: Couldn't agree more.

GOV. HUNTSMAN: And so what is it that we do, and what can we as governors do? I think we're all trying to do our best based upon and enforcing employer sanctions. We've even sent our National Guard down to the border. I went down there to visit them. I know Janet was down there as well. I saw the technologies that they are deploying, the lighting systems, building a partial wall, so on and so forth. So I think, we're doing everything we can do.

More than anything else, we must continue doing what Janet and I started doing, you know, a year and a half ago, and that's putting pressure on Washington to take action. I can't tell you how frustrating it is when you live in a world which ultimately will produce a patchwork of different approaches to dealing with immigration.

MS. REHM: You know what's fascinating here is that the two of you, one a Republican, the other a Democrat, seem to agree on so much because you're dealing with issues at the state level.

I find myself wondering what would happen if the two of you were here in Washington on Capitol Hill dealing with these same issues. Would you sound as you do this morning, so compatible, and so friendly --

(Laughter)

MS. REHM: -- and so remarkably in sync?

GOV. NAPOLITANO: I think Washington, D.C. tends not to do good things to people over time.

MS. REHM: Right.

GOV. NAPOLITANO: And you get into this -- everything is done on the basis of what party you're in and your seniority level within your party structure in the Congress. And as governors, you know, we're each CEOs of a state and we live in our states.

We don't come back to Washington, D.C. all that often, and so people see us everyday. We're in the newspaper everyday on things that affect them where they live, and I think that gives an immediacy to our actions that's very different than how you're going to vote on a particular amendment to a particular bill.

MS. REHM: For example, Governor Huntsman, you made a trip to Iraq at Thanksgiving. Can you briefly tell us about that issue, and whether it affected your views on that issue?

GOV. HUNTSMAN: Well, I think, many of us are very, very frustrated about where we are in Iraq, at least

the reasons for going there in the first place, and I think that sense of pragmatism that I just heard from Janet leads me as a governor to say, okay, we've got 1,000 of our men and women from this state in the National Guard who are doing everything they can in a very difficult and uncertain environment.

I as governor felt that it was important on Thanksgiving Day to go over there with John McCain and Joe Lieberman and a couple of others to simply say thank you. Everyone feels differently about the war, and I respect that.

But I think we all come together on the importance of the work that is being done by some great men and women who all have families back here stateside by the way. And I wanted to get a word into the leadership over here in Iraq that we've delivered probably the most important gift they could receive, which is a sense of heightened security now in the Baghdad area and certainly in the Anbar region.

Now, it's time for the government, finally, to step up and do something about the de-Baathification legislation, to get their \$48-billion budget in line to work out, you know, an arrangement based on the principles of federalism between the center and periphery.

And the states are doing some pretty interesting things in Iraq along with oil revenue sharing ideas. If these things don't take flight, now that there is a new enhanced, more secure environment, I think all bets are off.

GOV. NAPOLITANO: I think -- I'm sorry, Jon, I wanted to just point out that one of the roles governors play that I didn't really anticipate when I first ran for governor is the commander in chief of your National Guard and --

GOV. HUNTSMAN: Yeah, absolutely.

GOV. NAPOLITANO: -- that's a very immediate thing because you send them -- you sign the paperwork, you send them off, you meet them, you call the families when there has been a fatality; and that brings this war home in

a very direct way to governors that I suspect some of our legislative colleagues -- they don't see it in the same way. It's not quite as immediate in terms of your actual operational responsibility on the ground.

MS. REHM: But you know, polls indicate in recent weeks that voters have been saying our role in Iraq is taking a backseat to domestic issues with regard to the presidential campaign. What would you say, Governor Napolitano, are the top three issues for your state in the presidential campaign?

GOV. NAPOLITANO: In Arizona, the top three -- and I would say, would be the economy and the economic stability and future of the country. I think Arizonans basically feel like we're going ahead in the right direction, but where is the country going? Immigration, huge issue, and the failure of the administration and the Congress to deal with this has really dumped a whole lot of stuff on states that historically, and by reasons of federalism, we should not be having to deal with, but we are.

And then third, the United States plays in the world -- it's not just about Iraq, but what is this Mid-East and what about China and what does this all mean for us and for the children in the next generation?

MS. REHM: Governor Janet Napolitano, Democrat from Arizona. At 27 before the hour, you're listening to *The Diane Rehm Show*.

Governor Huntsman, what would you list as the three top issues in the presidential campaign for Utah?

GOV. HUNTSMAN: I would say that first and foremost is our economic viability, as we become increasingly economically interdependent, more of our exports or a prominent part of our job creation picture here, that clearly and how that is articulated and pursued is politically important to our survival, because that then pays all the bills.

I would say healthcare reform, and I'm going to call it, "health systems reform," because it's more than just figuring out ways to cover the uninsured. It's figuring out how to better deliver more affordable, more

accessible data-driven healthcare. That is probably -- you know, we have 11, 12 percent of our population that is currently uninsured. And of course that adds to the cost picture year-over-year. That would probably be number two.

Number three, I think, would be immigration. And that is dealing once and for all at the federal level with something that would create a framework nationally that we then as states could begin to work within.

MS. REHM: Now, turning to you, Governor Napolitano, Arizona, along with about 20 other states, set to hold primaries on February 5th. How well do you believe voters are being served by this frontloaded schedule that has evolved?

GOV. NAPOLITANO: I think, not very well and partially because the coverage of the frontloaded scheduled tends to be all kind of horserace coverage, and partially because it's -- they're just now beginning to turn their attention to an election and yet they are being asked to make their choices very early --

MS. REHM: On kind of a Super-Duper Tuesday.

GOV. NAPOLITANO: -- on a Super-Duper Tuesday, which could very well decide the nominees of both parties. And that's -- it's crazy for the candidates themselves in terms of being able to bring their experience and their visions to the attention of the voters, so the voters can make a good choice. And I know we say this every 4 years, we say this is a crazy way to elect the next leader of the United States, but this year it seems -- it's just absolutely just crazier than ever.

MS. REHM: Governor Huntsman, how do you see the election process unfolding?

GOV. HUNTSMAN: You know, it's a crazy thing to watch unfold from our standpoint. We are now an earlier state, we are part of the February 5th super-duper whammo, you know --

(Laughter)

GOV. NAPOLITANO: Whatever we call it.

GOV. HUNTSMAN: Right, whatever you want to call,

along with 21 or 22 others. I think that, you know, people are going to continue to try to outdo one another to the point of sheer lunacy. And we are not going to adequately serve the people of this country until such time as we create some sort of rotating primary system.

I know that, you know, people in Iowa or New Hampshire wouldn't necessarily like that thought, but as the West -- the Southwest, the Intermountain regions begin to emerge prominently, demographically, economically and politically and as we have issues that are very unique to all particular region -- public lands, water growth, immigration, I think it's going to be in our interest as the fastest growing part of the United States to somehow participate even more than we will this year in the presidential sweepstakes.

And I would love to see some sort of rotating primary system. West, East, Midwest, North, whatever the four stops are, to give everyone a chance to participate at that early critical important, you know, decisive -- decisive level of presidential politics.

GOV. NAPOLITANO: Yeah, I was really -- when you say fast growing, let's give the country a sense of this, Arizona has 6.2 million people by the year 2030. We are going to have 11 or 12 million people, larger than New Jersey or Michigan by that time. So we are talking rapid growth, and again, these are issues that I think our voters need to hear about.

MS. REHM: Governor Napolitano, Democrat of Arizona, Republican Governor Jon Huntsman of Utah. When we come back it's time to open the phones. Stay with us.

(Intermission)

MS. REHM: Welcome back. I have two Western governors with me. Republican Governor Jon Huntsman of Utah is on the phone from his office in Salt Lake City. Democratic Governor Janet Napolitano of Arizona is here in the studio.

Let's open the phones now. We will go first to Berlin, Germany.

Good morning, David, you're on the air.

DAVID: Yes, hello. I'd like to make a brief contrast between the southern European border to Africa and the migration pressures and climate change. And I should say I came from Texas, a great fan of Ann Richards; good to hear from other good American governors. Here there is lot of concern about the migration pressures and the need for economic development south of the European border. And I certainly am pleased that the people are looking at the drought and economic development problems, and I hope that some more can be done to reduce migration pressures.

MS. REHM: Thanks for calling, David. Governor Napolitano.

GOV. NAPOLITANO: Right, what David is pointing out is that this whole immigration issue is a global issue and it is in terms of global pattern from south to north. And it is primarily an economic issue; people migrate to where they feel they have an economic future.

Now, in the United States, our aspect of that is overtime we will need -- the labor, we simply, to keep growing our economy, are going to need to have laborers from all over the world. And we need an immigration policy that recognizes that fact, and that is the comprehensive part of immigration reform that fell on the table along with everything else in the Congress last year.

MS. REHM: Here is an e-mail from a University at Utah graduate, and it's directed to you, Governor Huntsman, from Michael, who says, "One of the unique problems we face in the West is the issue of federal land and transportation rights in respect to nuclear waste storage. As a governor of a state largely owned by the Federal Government, what is the State of Utah doing to address the issue of nuclear waste storage in respect to Native American land rights?"

GOV. HUNTSMAN: Well, we worked very, very closely with the Department of Interior, of course, the department and government -- it has a significant say over all of this, but our objective has been very simple. And that is simply to say no. We don't want it in our state, we don't want it buried anywhere on our lands, and we've worked very, very hard indulgently to move from where we were about 5 years ago, which is to say that we were recipient of different classifications of nuclear waste to what will be phased out completely in the years to come so that we can say we are no longer recipients or a dumping

ground or a repository of the kind of waste that we do not manufacture here.

MS. REHM: All right, let's go now to St. Louis, Missouri. Good morning, Mary.

MARY: Good morning. I am calling about Bush's response to the devastation that's going on in the home mortgage industry. I think his response to this has been nothing more than window-dressing by putting lipstick on a pig. This problem is affecting markets globally. I have a friend that bought a house this past summer and all of a sudden on last week she got a letter from Countrywide Mortgage. And they told her that they now held her mortgage and would no longer include taxes and insurances in her mortgage payment.

I wonder if that's even legal to do that, to change the contract of her mortgage. And she can't afford that because you have to pay months of that upfront.

MS. REHM: Indeed. Governor Huntsman, do you want to comment?

GOV. HUNTSMAN: I don't know specifically whether that is legal or not. One thing is for sure and that is, you know, as mentioned earlier, we as governors have to find can-do pragmatic solutions because we govern states. I would suggest that at the federal level, that there be more of that as well. The mortgage industry needs to sit down with the executive branch, which I think they are trying to do.

MS. REHM: Indeed.

GOV. HUNTSMAN: The idea of freezing rates, I think, is a very viable policy option that needs to be considered, coupled with strong Federal Reserve leadership on setting rates going forward. We are indeed entering a period of uncertainty and all hands must be on deck in order to find a viable solution.

MS. REHM: All right, here is another point of view from Miami, Florida.

Good morning, John.

JOHN: Good morning. My point is that this

bailout that's being proposed in the subprime mortgage fiasco is really a slap in the face to the people in this country who worked really hard, worked three jobs, saved their money, they lived within their means according to a budget and then they reach out and they buy a home or someplace to live that they can afford. Now, you are sending the message that you can make a personal choice to buy what you, you know, what you can't afford and then are you going to cry about the consequences when, you know, your (inaudible) make mortgage adjust.

MS. REHM: Is that a realistic approach, Governor Napolitano?

GOV. NAPOLITANO: Well, I can sympathize with what you are saying --

MS. REHM: Indeed.

GOV. NAPOLITANO: -- that people just got in over their heads and they should accept responsibility for that. The problem is that it wasn't just an isolated family or two, whatever; this is a national issue affecting hundreds of thousands of homebuyers.

It was created in part by the deals that were been offered by the lenders and the kind of language they couched those deals in in this kind of spirit of residential purchasing optimism that outstripped financial reality for a lot of people. And so the choice now you have to make is, do you just -- let everybody -- let them -- let everybody go and let the foreclosure process work. And then that will involve hundreds of thousands families across our country.

Or do you say, hey, wait a minute, things got a little bit out, we weren't probably policing the mortgage lending -- lenders that way we ought to in terms of oversight. Buyers got unrealistic expectations, we need to bring it home. And as we do that, things like a freeze on some of these -- particularly on some of these option ARMs kinds of things, a greater role by the Federal Reserve to get us through this, to me, mitigates the hardship caused by a period that was unrealistic.

MS. REHM: John, thanks for your call. Here is an e-mail from Joe, who is a 28-year-old male living in Flint, Michigan. He says, "Coming from a peninsula state

surrounded by some of the largest bodies of water on earth, I can empathize with the Western states struggling with water concerns, but I'm greatly concerned when I hear talk about piping water from our Midwest region into a drought-ridden West. I would almost consider such an option if water were going to a farmer for irrigation of crops, but I cringe at the thought of our water going to a gaudy hotel's fountain on the Vegas Strip."

(Laughter)

MS. REHM: What do you think of that, Governor Napolitano? You've heard lots about that, haven't you?

GOV. NAPOLITANO: Well, what I would say is that it's Arizona's intention to take Michigan's water. So let me be very clear about that. Western states -- we are dry states. Arizona has been a dry state, we are. And so part of the -- part of that is we manage our water very well.

And we rely on three sources, we rely on the Colorado River, we rely on ground and surface water, and we are going to -- increasingly we have to rely on conservation and conservation-related technologies as we grow. But we're -- you know, we deal with the reality of water day in and day out and this is another area where of course the Western states have to work with each other.

MS. REHM: What about that, Governor Huntsman?

GOV. HUNTSMAN: Well, just to give you a sense of it, Diane, I can't tell you how jubilant I am that we have a major storm precipitation moving into our state over the next few hours. These are the kinds of things that will make a Western governor fairly giddy because water is so darn important.

(Laughter)

MS. REHM: Yes.

GOV. NAPOLITANO: It makes the front page of the paper when it rains, you know.

GOV. HUNTSMAN: And listen, we all know that there are too many large fountains in Las Vegas, they don't need any more of them; Joe is absolutely right. We must manage our water needs in this region in ways that are

consistent with our growth needs. Conservation, first and foremost, as opposed people using 300-plus gallons per day; 90 gallons will do. And that's all part of an education effort that we must be more aggressive on.

But you have also got the whole climate change dimension, and this is why governors in the Great Lakes region have banded together to talk about how they ought to be approaching this particular issue, because if you find the Great Lakes that loses a foot, 2, 3 or 4 over the next 50 to 100 years, you'd probably find some very interesting things happening in terms of the whole ecology of the lake and surrounding areas that would be deleterious long-term for anybody whether it was for the region itself, or those who are trying to steal the water from the region.

MS. REHM: All right, let's go now to Groton, Connecticut.

Good morning, Marie, you're on the air.

MARIE: Hi, yes, I would just like to call in response to the last caller. As the governor was saying there are so many situations, so many -- yeah, his personal situation, yeah, he was fortunate, he was able to afford a home and that. But a point in time in the past working-class people were able to keep their home at one time.

There are so many things that he didn't consider; he was just -- seems kind of arrogant in his comments, like, working-class families, the factories are closed and single parents like myself who raise three kids, divorced parents, or the dead -- you know, so there is no money coming from the other side, working several jobs, when every year your finance charges go up, your taxes go up, your health insurance goes up.

But sometimes your pay doesn't go up. I haven't had a raise in 4 years, you know, so I mean there are -- he was a little bit, I think, closed-minded when he made that comment. And he should be happy that he was fortunate, but not everybody is so fortunate.

MS. REHM: Indeed. Thanks, so much for calling, Marie, I appreciate your comments. Let's go to Morgan City, Ohio.

Good morning, Bob.

BOB: Good morning, Diane. I listen to you just about everyday and this is the first time I've ever called, but I'm glad to speak to you.

MS. REHM: Well, I'm glad to have you with us, sir.

BOB: I agree with the governors, you know, I think it's really good that the governors are taking the initiative on this greenhouse gas deal, and just as soon as they do that and it starts working then the Federal Government is going to want to come in and add more onto it and say that they did it.

(Laughter)

MS. REHM: Well, what do you think about that Governor Huntsman, do you think that Feds are going to take credit?

GOV. HUNTSMAN: Listen, yeah, there is a whole mentality in Washington that's a little bit foreign, you know, given our mindsets as governors, and I have no idea how they might respond to it. All I know is that if we move forward fairly aggressively in managing some of these issues that are going to be critically important to overall sustainability, we are not only helping leave a better planet for the next generation, Bob, but we are also, I think in the process, developing and inventing the technologies and capital componentry and the kinds of approaches that we will need to clean up the last 100 years of industrialization.

From my standpoint that is economic development, that is innovation, that could be one of the more powerful areas, one of the more powerful economic drivers over the next 20, 40, 50 years.

And then you are going to have the Chinas and the Indias that are going to have to follow suit in terms of their own cleanup effort. And I'm convinced that like the whole computer and software revolution, the biotechnology revolution, that with green technologies, the United States too will lead out not just within own on border, but internationally. So this is a hugely significant issue on two or three different levels.

MS. REHM: At --

GOV. HUNTSMAN: And I guess why state governors are so thrilled to be leading out.

MS. REHM: At 7 minutes before the hour you're listening to *The Diane Rehm Show*.

Governor Napolitano, you wanted to comment?

GOV. NAPOLITANO: I just wanted to say that a dynamic that we need to watch out for is -- as the states move forward on the greenhouse gas initiatives, on healthcare and a whole host of issues, one thing we are always wary of is the Congress coming in and preempting the ability of the states to move and setting standards that are lower than the ones that we have adopted for ourselves.

And so there is always a -- there is a tension here, that is the federalist system that we have under our U.S. Constitution. But the tendency of Washington D.C. to look at preempting states and to be responsive to the argument that we need -- we need to set those standards in Washington D.C. as a Western governor is something I'm always very wary of.

MS. REHM: Here is an e-mail from Rick, in Richmond, Indiana. He says, "As I listen to both governors, I'm impressed with the level of knowledge they possess, their ability to articulate and their willingness to set aside party lines to work toward the common good. It lifts my spirits regarding our future to hear leaders of this caliber, if only I could say the same about leaders at the federal level."

Governor Napolitano, what is going to have to change to move this government forward?

GOV. NAPOLITANO: Well, I think part of it is just historical cycle, you are at the end of a second-term presidency and that history teaches us oftentimes runs out of gas, you know, you get that feeling in -- out of the administration right now in that sense. But this whole notion of party in the end, unwillingness to compromise the kind of the ad hominem attacks that seem to go on in Washington D.C.

MS. REHM: So if you could speak before the U.S.

Congress --

GOV. NAPOLITANO: Right.

MS. REHM: -- from your position as governor, what would you say to them?

GOV. NAPOLITANO: I would say at the end you are going to be measured not by your arguments but your product and what you produce. And we need to deal with energy, we need to deal with immigration, we need to deal healthcare. These are big complicated issues and we sent these very well-intentioned and a lot of smart people back here to work those out. And that means they have to do in the spirit of compromise and the spirit of producing something for the people.

MS. REHM: Governor Huntsman, if you had that same opportunity, what would you say?

GOV. HUNTSMAN: I would say quit paying attention to the 24-hour news cycles that tend to divide more than anything else, and quit listening to the special interest that have more of a whole today, on politics and probably anytime in recent political history.

All I remember as a young man, when I was the lowest level flunky in the White House working for a man named Ronald Reagan, was that he took the time to visit the Irish Embassy during a particular day of the year to hold up a drink with a man named Tip O' Neill, who was then Speaker of the House.

There was a sense of deep respect between the two of them, they had different party affiliations, they wanted to get things done for the American people; there was respect among people, which -- it doesn't seem to be the case today. If we can remember that we are all human beings at the end of the day, we are serving people who have put us in these positions of responsibility, they deserve the service that we can provide, the answers that together we can create.

But as soon as you just -- you quit seeing your opponent as a human being who has a legitimate point of view that ought to be listened to and analyzed as well, then I think we have the breakdown that we are finding today.

MS. REHM: Republican Governor Huntsman of Utah, Democratic Governor Napolitano of Arizona, thank you both so much.

GOV. NAPOLITANO: Thank you.

GOV. HUNTSMAN: Thank you.

MS. REHM: And thanks for listening everybody. I am Diane Rehm.

SPEAKER: *The Diane Rehm Show* is produced by Sandra Pinkard, Nancy Robertson, Jonathan Smith, Tanya Weinberg, and Emmanuel Touhey. The engineer is Toby Schreiner. Dorie Anisman answers the phones.

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